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February 14, 2014 2014 FEB 14 P 3:51

PUBLIC UTILITIES  
COMMISSION

The Honorable Chair and Members of  
the Hawai'i Public Utilities Commission  
Kekuanaoa Building, 1st Floor  
465 South King Street  
Honolulu, Hawai'i 96813

Dear Commissioners:

Subject: Docket No. 04-0129: Inter-Island Fuel Contract Amendments  
Docket No. 2012-0031: Second Amendment to Inter-Island Industrial Fuel Oil  
and Diesel Fuel Supply Contract with Tesoro Hawaii Corporation<sup>1</sup>  
Contract Extension Agreements

This is to inform the Commission that Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawai'i Electric Light Company, Inc. (Hawai'i Electric Light") and Maui Electric Company, Limited ("Maui Electric") (collectively the "Companies") have executed one year extension agreements with Chevron Products Company ("Chevron") and HIE for the Companies' inter-island supply of fuel to the islands of Maui, Moloka'i, Hawai'i, and O'ahu. Pursuant to the extension agreements, supplies of fuel and terminalling services are now contracted through December 31, 2015.<sup>2</sup> Attached hereto as Exhibits A and B are the executed extension agreements with Chevron and HIE, respectively.

Chevron currently supplies industrial fuel oil ("IFO") and high sulfur diesel ("HSD") to Hawaiian Electric, Hawai'i Electric Light and Maui Electric - Maui under the 2004 First Amendment ("Chevron First Amendment"). The Chevron First Amendment was approved by the Commission in Decision and Order No. 21523, issued on December 30, 2004, in Docket No. 2004-0129. As noted above, the extension agreement with Chevron extends the Chevron First Amendment through December 31, 2015, and for successive one-year terms thereafter, unless a party provides notice of termination. The extension agreement with Chevron also includes an amendment to Article 6 of the Chevron First Amendment, which is further discussed on page 1 of Exhibit A of this letter.

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<sup>1</sup> On September 25, 2013, Tesoro Hawaii Corporation ("Tesoro") sold its O'ahu refinery and O'ahu and neighbor island terminalling and marketing facilities to Par Petroleum Corporation of Houston, Texas ("Par"). Thereafter, Par formed Hawaii Independent Energy, LLC ("HIE"), a wholly owned subsidiary of Par. All Tesoro facilities are now owned and operated by HIE.

<sup>2</sup> Prior to the extension agreements, the Companies' contracts with Chevron and HIE were set to expire on December 31, 2014.

The Honorable Chair and Members of  
the Hawai'i Public Utilities Commission  
February 14, 2014  
Page 2 of 2

HIE currently supplies IFO, HSD, and recently added ultra-low sulfur diesel ("ULSD") to Hawaiian Electric, Hawai'i Electric Light and Maui Electric - Maui and Moloka'i under the Second Amendment ("HIE Second Amendment"). The HIE Second Amendment was approved by the Commission in Decision and Order No. 30661, issued on October 1, 2013, in Docket No. 2012-0031. The extension agreement with HIE extends the HIE Second Amendment through December 31, 2015.

The HIE and Chevron extension agreements do not contain any changes to the price formulae and allow the Companies to continue to purchase fuel for an additional year at competitive prices. In addition, in the face of the uncertain and generally declining fuel demand by Hawai'i Electric Light and Maui Electric, due in part to increasing penetrations of renewable energy resources, the Companies believe that extending the HIE and Chevron contracts is appropriate and necessary to provide the Companies with additional time to further evaluate its future fuel requirements.<sup>3</sup>

Sincerely,



Daniel G. Brown  
Manager  
Regulatory Non-Rate Proceedings

Attachments

cc: Division of Consumer Advocacy

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<sup>3</sup> Further discussion of the reasons for negotiating extensions with Chevron and HIE to sustain competitive fuel pricing is contained in the Companies' update to the Fuels Master Plan ("FMP"), filed with the Commission on January 31, 2014. See pages 6, 7, 16 and 30 of the FMP.



**EXHIBIT A**  
**CHEVRON PRODUCTS COMPANY'S EXTENSION AGREEMENT**

Chevron Products Company ("Chevron") is currently [REDACTED]. While Chevron currently expects it will continue [REDACTED] throughout the term of the Chevron extension (i.e., December 31, 2015), the current Chevron contract does not provide Chevron [REDACTED].

As a result, during negotiations, Chevron proposed clarifications to Article 6, Sections 6.1(i)-(ii) and 6.6(i) such that [REDACTED].

[REDACTED] The existing terms identified in Article 6 were outdated and had the potential of leaving Chevron [REDACTED] they were contracted to deliver. In addition, Chevron updated the flow rate and minimum temperatures to current specifications. The Companies did not object and agreed to Chevron's non-material changes and clarifications on the basis that it would assist Chevron with [REDACTED].

Portions of this Exhibit A contain confidential information, which if publicly disclosed could competitively disadvantage and harm the Companies and Chevron in its current and/or future negotiations. Specifically, [REDACTED].

[REDACTED]. Accordingly, the confidential portions of Exhibit A have been redacted and designated confidential subject to the terms of Protective Order No. 21062 issued on June 17, 2004, in Docket No. 2004-0129.

December 17, 2013

Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840-0001  
Attn: Mr. Ronald R. Cox, Vice President Power Supply

Re: Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract, dated November 14, 1997, as amended by the Amendment to Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract, dated April 12, 2004 (collectively, "Contract")

Dear Mr. Cox:

This letter ("Second Amendment") confirms the agreement between Hawaiian Electric Company, Inc., Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc. (collectively, "Buyers") and Chevron Products Company, a division of Chevron U.S.A. Inc. ("Chevron") regarding the amendment of the above-referenced Contract. Capitalized terms used in this Second Amendment but not otherwise defined herein have the meanings set forth in the Contract.

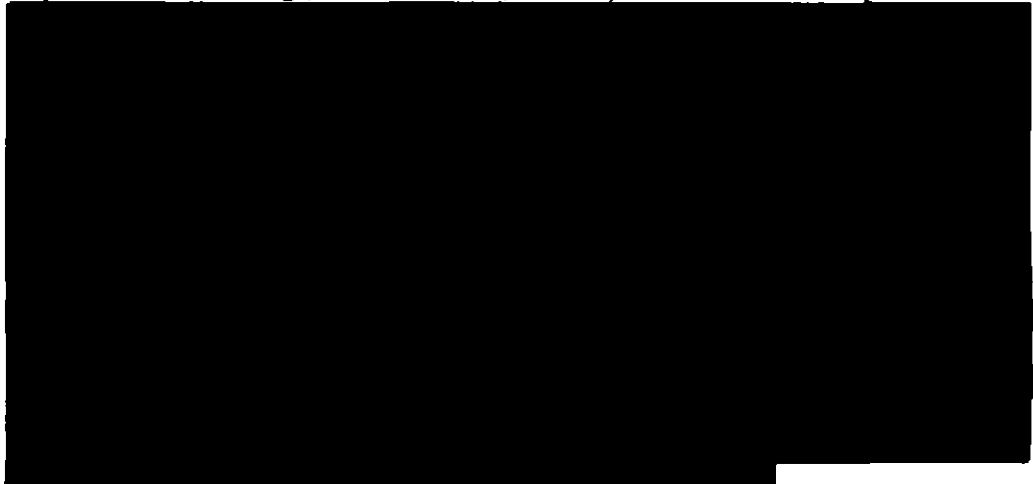
It is agreed as follows:

1. The text at Article II is deleted and replaced with the following:

"The term of this Contract shall be from January 1, 1998 through December 31, 2015, and shall continue thereafter for Extensions beginning each successive January 1, unless Buyers or Chevron give written notice of termination at least 120 Days before the beginning of an Extension."

2. The text at Section 6.1(i) is deleted and replaced with the following:

"Chevron agrees to Deliver and MECO and HELCO agree to receive their Oil into a Buyer's Nominated Barge, Free On Board ("F.O.B.") at Barbers Point Deep Draft Harbor

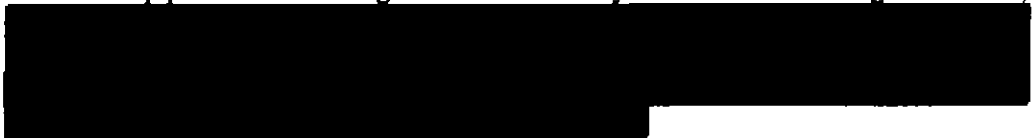


3. The text at Section 6.1(ii) is deleted and replaced with the following:

"The Delivery rate of Diesel will be 3,000 BPH minimum. The Delivery rate of CIFO will be 2,000 BPH minimum. Chevron agrees to make its best, reasonable efforts to (a) load Diesel and CIFO concurrently provided that a Buyer's Nominated Barge is capable of receiving same; and (b) to operate Chevron's current CIFO Delivery systems to Deliver CIFO into said Nominated Barge at a minimum temperature of 120°F. Buyers acknowledge that the CIFO Delivery temperature is dependent upon Chevron's and HECO's scheduling of other fuel movements in Chevron's pipeline and that the temperature is therefore not be guaranteed."

4. Section 6.6(i) is hereby deleted and replaced in its entirety with the following:

"For the Delivered Diesel and CIFO under Section 6.1, care, custody, control, title and risk of loss shall pass to Buyer as the Diesel or CIFO passes the flange connecting Chevron's pipeline to the cargo hose of the Buyer's Nominated Barge or vessel;



5. This Second Amendment may be executed in counterparts (including through electronically exchanged signature pages), each of which is deemed an original, and all of which together constitute the same instrument.
6. Except to the extent modified by this Second Amendment, the Contract continues unchanged in full force and effect. This Second Amendment constitutes the entire understanding between the parties on the specific subjects discussed herein.


*[Signatures follow]*

If the foregoing accurately reflects the agreement of the parties, please so signify by having duly authorized representatives counter-sign in the spaces provided below.

Sincerely,

CHEVRON PRODUCTS COMPANY,  
a division of Chevron U.S.A. Inc.


Signature:



Name: BILLY LIU  
Title: HAWAII VCO COORDINATOR

HAWAIIAN ELECTRIC COMPANY, INC.

Signature:



Name: Ronald R. Cox  
Title: Vice President, Power Supply

MAUI ELECTRIC COMPANY, LTD.

Signature:

\_\_\_\_\_

Name:  
Title:

HAWAII ELECTRIC LIGHT COMPANY, INC.

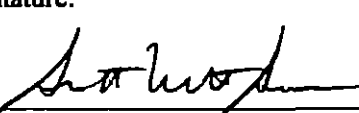
Signature:

\_\_\_\_\_

Name:  
Title:

HAWAIIAN ELECTRIC COMPANY, INC.

Signature:



Name: Scott W. H. Sou  
Title: VP, Energy Resources and Operations

MAUI ELECTRIC COMPANY, LTD.

Signature:

\_\_\_\_\_

Name:  
Title:

HAWAII ELECTRIC LIGHT COMPANY, INC.

Signature:

\_\_\_\_\_

Name:  
Title:

Page 3

If the foregoing accurately reflects the agreement of the parties, please so signify by having duly authorized representatives counter-sign in the spaces provided below.

Sincerely,

CHEVRON PRODUCTS COMPANY,  
a division of Chevron U.S.A. Inc.

Signature:



Name: BILLY LIU  
Title: HAWAII VCO COORDINATOR

HAWAIIAN ELECTRIC COMPANY, INC.

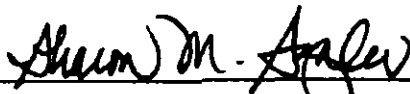
Signature:

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Name:  
Title:

MAUI ELECTRIC COMPANY, LTD.

Signature:



Name: Sharon M. Suzuki  
Title: President

HAWAII ELECTRIC LIGHT COMPANY, INC.

Signature:

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Name:  
Title:

HAWAIIAN ELECTRIC COMPANY, INC.

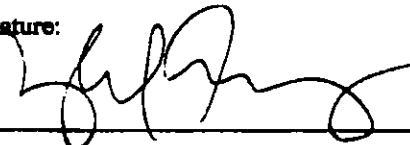
Signature:

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Name:  
Title:

MAUI ELECTRIC COMPANY, LTD.

Signature:



Name: Lyle J. Matsunaga  
Title: Assistant Treasurer

HAWAII ELECTRIC LIGHT COMPANY, INC.

Signature:

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Name:  
Title:

Page 3

If the foregoing accurately reflects the agreement of the parties, please so signify by having duly authorized representatives counter-sign in the spaces provided below.

Sincerely,

CHEVRON PRODUCTS COMPANY,  
a division of Chevron U.S.A. Inc.

Signature:



Name: BILLY LIU  
Title: HAWAII VCO COORDINATOR

HAWAIIAN ELECTRIC COMPANY, INC.

Signature:

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Name:  
Title:

MAUI ELECTRIC COMPANY, LTD.

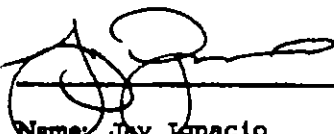
Signature:

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Name:  
Title:

HAWAII ELECTRIC LIGHT COMPANY, INC.

Signature:

  
Name: Jay Ignacio  
Title: President

HAWAIIAN ELECTRIC COMPANY, INC.

Signature:

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Name:  
Title:

MAUI ELECTRIC COMPANY, LTD.

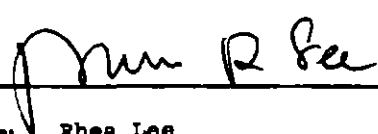
Signature:

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Name:  
Title:

HAWAII ELECTRIC LIGHT COMPANY, INC.

Signature:

  
Name: Rhea Lee  
Title: Assistant Secretary



**EXHIBIT B**  
**HAWAII INDEPENDENT ENERGY, LLC'S EXTENSION AGREEMENT**

The Hawaiian Electric Companies and Hawaii Independent Energy, LLC mutually agreed to extend the Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract for one year, through December 31, 2015, with no changes to the contract's current price, terms and/or conditions.



**Hawaii  
Independent  
Energy**

Hawaii Independent Energy, LLC  
91-325 Komoeha Street  
Kapolei, Hawaii 96707-1713

December 11, 2013

Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840

Attention: Mr. Jeffrey C. Aicken  
Director Fuel Resources

**Re: Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract Dated  
November 14, 1997, as Amended by the First Amendment Dated March 29, 2004,  
and the Second Amendment Dated January 31, 2012**

Dear Mr. Aicken:

This letter agreement ("Agreement") acknowledges and confirms the mutual agreement between Hawaiian Electric Company, Inc., Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc. (collectively the "Hawaiian Electric Companies") and Hawaii Independent Energy, LLC (formerly known as Tesoro Hawaii Corporation, formerly known as BHP Petroleum Americas Refining Inc.) ("HIE") regarding the Inter-Island Industrial Fuel Oil and Diesel Fuel Supply Contract, dated November 14, 1997, as amended by the First Amendment dated March 29, 2004, and the Second Amendment dated January 31, 2012 (collectively, the "Inter-Island Contract"). The Hawaiian Electric Companies and HIE mutually agree to waive their respective rights to serve notice of termination pursuant to Article II of the Inter-Island Contract before the end of the Original Term of the Contract (i.e., December 31, 2014), and by doing so, agree to allow the Inter-Island Contract to continue for an Additional Term such that the Contract shall continue in full force and effect through December 31, 2015.

The parties agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which shall together constitute the same instrument. This Agreement may also be executed by exchange of executed copies via facsimile or other electronic means, such as PDF, in which case, but not as a condition to the validity of the Contract, each party shall subsequently send the other party by mail the original executed copy. A party's signature transmitted by facsimile or similar electronic means shall be considered an "original" signature for purposes of this Agreement.

If this Agreement accurately reflects the Hawaiian Electric Companies' understanding, please so signify by having duly authorized representatives sign and date in the spaces provided below. We will execute two original documents, a copy of which will be emailed to you, and send the two originals to the Hawaiian Electric Companies at the

address provided above. One of the executed original letters should afterwards be returned to HIE for our records.


Sincerely,



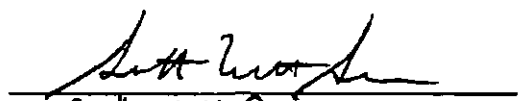
HAWAII INDEPENDENT ENERGY, LLC

By Eric Wright  
Its President

AGREED AND CONFIRMED  
ON BEHALF OF HAWAIIAN ELECTRIC COMPANY, INC.

  
By Ronald R. Cox  
Its Vice President, Power Supply

Date: 12/20/13, 2013

  
By Scott W. H. Sen  
Its VP, Energy Resources and Operations

Date: Dec. 20, 2013

AGREED AND CONFIRMED  
ON BEHALF OF MAUI ELECTRIC COMPANY, LTD.

By  
Its

Date: \_\_\_\_\_, 2013

address provided above. One of the executed original letters should afterwards be returned to HIE for our records.

Sincerely,



HAWAII INDEPENDENT ENERGY, LLC

By Eric Wright  
Its President

AGREED AND CONFIRMED  
ON BEHALF OF HAWAIIAN ELECTRIC COMPANY, INC.

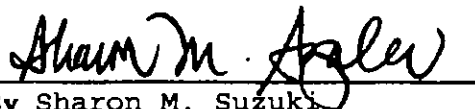
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By  
Its

Date: \_\_\_\_\_, 2013

\_\_\_\_\_  
By  
Its

Date: \_\_\_\_\_, 2013

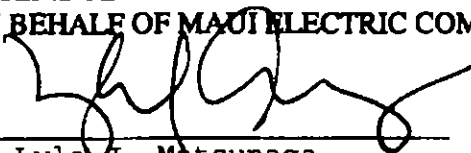
AGREED AND CONFIRMED  
ON BEHALF OF MAUI ELECTRIC COMPANY, LTD.



By Sharon M. Suzuki  
Its President

Date: December 17, 2013

AGREED AND CONFIRMED  
ON BEHALF OF MAUI ELECTRIC COMPANY, LTD.



By Lyle J. Matsunaga  
Its Assistant Treasurer

Date: December 17, 2013

AGREED AND CONFIRMED  
ON BEHALF OF HAWAII ELECTRIC LIGHT COMPANY, INC.

\_\_\_\_\_  
By  
Its

Date: \_\_\_\_\_, 2013

\_\_\_\_\_  
By  
Its

Date: \_\_\_\_\_, 2013

**AGREED AND CONFIRMED  
ON BEHALF OF MAUI ELECTRIC COMPANY, LTD.**

\_\_\_\_\_  
By  
Its

Date: \_\_\_\_\_, 2013

**AGREED AND CONFIRMED  
ON BEHALF OF HAWAII ELECTRIC LIGHT COMPANY, INC.**

\_\_\_\_\_  
By Jay Ignacio  
Its President

Date: 12-26, 2013

\_\_\_\_\_  
By Rhea Lee  
Its Assistant Secretary

Date: 12/23/2013